

Message Text

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ACTION EUR-12

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FM AMCONSUL HAMBURG

TO SECSTATE WASHDC 3552

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LIMITED OFFICIAL USE HAMBURG 1423

E.O.11652: N/A

TAGS: EINV BGEN GW

SUBJECT: REYNOLDS ALUMINUM COMPLETES DEAL WITH CITY OF HAMBURG

REF: HAMBURG 1214 AND PREVIOUS

1. THE CITY OF HAMBURG APPROVED ON SEPT 18 THE AGREEMENT WITH REYNOLDS ALUMINUM AS OUTLINED IN REFTEL. TRANSFER OF OWNERSHIP AND OTHER ELEMENTS OF THE AGREEMENT BECAME EFFECTIVE ON OCT 1. THIS CONCLUDED A THORNY ISSUE WHICH HAD POSED FINANCIAL PROBLEMS FOR REYNOLDS AND HAMBURG AND HAD BECOME A SUBSTANTIAL POLITICAL PROBLEM FOR THE SPD LEADER HIP OF THE HAMBURG LAND GOVERNMENT.

2. THE AGREEMENT, REFERRED TO BY THE HAMBURG GOVERNMENT AS A "PURCHASE-LEASE CONTRACT" (KAUFMIETVERTRAG), MAKES HAMBURG THE OWNER OF THE TWO FACILITIES AND REYNOLDS, WITH ITS TWO PARTNERS, THE OPERATORS. AFTER A GRACE PERIOD, THE OPERATORS WILL PAY THE CITY IN ANNUAL INSTALLMENTS OVER A PERIOD OF 22-1/2 YEARS. AT THE END OF THIS PERIOD, TITLE WILL VEST IN THE OPERATING COMPANIES.

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3. THE SPD LEADERSHIP IN THE HAMBURG SENAT WAS ASKED FOR A FULL ACCOUNTING, NOT ONLY BY THE CDU OPPOSITION AND SOME FDP COALITION MEMBERS, BUT EVEN BY SOME OF ITS OWN MEMBERS. HOWEVER, THERE WERE NO ACCEPTABLE ALTERNATIVES TO THE PLAN AND THE ENTIRE AGREEMENT IS LENGTHY AND COMPLX, SO POTENTIAL OPPONENTS APPARENTLY JUST GAVE UP TRYING TO INVESTIGATE HOW AND WHY THE GOVERNMENT HAD GOTTEN INTO THIS BIND AND WHETHER THIS WAS THE WAY TO GET OUT OF IT.

4. IN SELLING THE PROPOSAL TO THE HAMBURG SENAT, THE GOVERNMENT RATHER LOOSELY TRMED THE CONTRACT A "DEBT" AND CLAIMED THAT REYNOLDS AND ITS PARTNERS WERE GILT-EDGED DEBTORS, WHILE THE GOVERNMENT OF HAMBURG WAS MERELY A "CREDITOR." IN FACT, THE CITY IS AND WILL REMAIN THE OWNER OF THE FACILITIES UNTIL ALL TERMS OF THE CONTRACT ARE COMPLETED. THIS COULD BE SIGNIFICANT SHOULD REYNOLDS OR ANY OF ITS PARTNERS EVER WISH TO QUIT THE PROJECT. THE DIFFERENCE IS OF CRUCIAL SIGNIFICANCE WITH RESPECT TO THE LAW SUITS PENDING AGAINST THE SMELTER FACILITY SINCE, SHOULD IT ULTIMATELY BE REQUIRED TO CLOSE DOWN, HAMBURG WOULD BEAR THE LOSSES WITH THE LESSEES' DAMAGES RESTRICTED TO PAYMENTS ALREADY MADE ON THE CONTRACT.

5. GERMAN TEXTS OF PERTINENT DOCUMENTS ARE BEING POUCHED TO EUR/CE. BROGAN

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